

INSPECTION REPORT

Partial XXX Complete Exploration
 Inspection Date: 04/24/2003 / Time: 8:30a.m.-11:00a.m.
 Date of Last Inspection: 03/14/2003

Mine Name: Dugout Canyon Mine County: Carbon Permit Number: C/007/039
 Permittee and/or Operator's Name: Canyon Fuel Company, LLC.
 Business Address: P.O. Box 1029, Wellington, Utah 84542
 Company Official(s): Vicky Miller
 State Official(s): Peter Hess Federal Official(s): None
 Weather Conditions: Partly sunny; cool; 50's Fahrenheit
 Type of Mining Activity: Underground Surface Prep Plant XXX Other
 Existing Acreage: Permitted 7083.71 Disturbed 22.65 Regraded Seeded
 Status: Active

REVIEW OF PERMIT, PERFORMANCE STANDARDS & PERMIT CONDITION REQUIREMENTS

1. Substantiate the elements on this inspection by checking the appropriate performance standard.
 - a. For complete inspections provide narrative justification for any elements not fully inspected unless element is not appropriate to the site, in which case check N/A.
 - b. For partial inspections check only the elements evaluated.
2. Document any noncompliance situation by referencing the NOV issued at the appropriate performance standard listed below.
3. Reference any narratives written in conjunction with this inspection at the appropriate performance standard listed below.
4. Provide a brief status report for all pending enforcement actions, permit conditions, Division Orders, and amendments.

| | EVALUATED | N/A | COMMENTS | NOV/ENF |
|--|-------------------------------------|--------------------------|-------------------------------------|--------------------------|
| 1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. SIGNS AND MARKERS | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 3. TOPSOIL | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 4. HYDROLOGIC BALANCE: | | | | |
| a. DIVERSIONS | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. SEDIMENT PONDS AND IMPOUNDMENTS | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| c. OTHER SEDIMENT CONTROL MEASURES | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| d. WATER MONITORING | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| e. EFFLUENT LIMITATIONS | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. EXPLOSIVES | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. DISPOSAL OF EXCESS SPOIL/FILLS/BENCHES | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 8. NONCOAL WASTE | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. PROTECTION OF FISH, WILDLIFE AND RELATED ENVIRONMENTAL ISSUES | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. SLIDES AND OTHER DAMAGE | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. CONTEMPORANEOUS RECLAMATION | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. BACKFILLING AND GRADING | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. REVEGETATION | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. SUBSIDENCE CONTROL | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. CESSATION OF OPERATIONS | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16. ROADS: | | | | |
| a. CONSTRUCTION/MAINTENANCE/SURFACING | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b. DRAINAGE CONTROLS | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 17. OTHER TRANSPORTATION FACILITIES | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18. SUPPORT FACILITIES/UTILITY INSTALLATIONS | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 19. AVS CHECK (4 th Quarter- April, May, June) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 20. AIR QUALITY PERMIT | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 21. BONDING & INSURANCE | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

INSPECTION REPORT
(Continuation Sheet)

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(COMMENTS ARE NUMBERED TO CORRESPOND WITH TOPICS LISTED ABOVE)

2. SIGNS AND MARKERS

The permittee has replaced the wooden lathe and fluorescent tape which served as temporary disturbed area perimeter markers at the newly constructed waste rock site with green "T" posts with silver tops.

Topsoil / subsoil signs have been placed on the storage piles located at the waste rock facility.

3. TOPSOIL

The topsoil / subsoil piles at the new waste rock facility have received final shaping and are waiting hydro seeding. Ms. Miller anticipates that this will be accomplished during early May.

4A. HYDROLOGIC BALANCE: DIVERSIONS

The permittee has completed the construction of the emergency spillway between the waste rock site sediment pond and the undisturbed drainage. Gray sandstone has been used as riprap material.

The permittee has reinstalled the undisturbed by-pass culvert in the un-named canyon where the construction of the secondary substation continues.

4B. HYDROLOGIC BALANCE: SEDIMENT PONDS AND IMPOUNDMENTS

The permittee forwarded a P.E. certified copy of the inspection report completed by Mr. Dave Spillman following the inspection of the waste rock site sediment pond during its construction process to the Division on March 27, 2003. The 3/13/2003 inspection noted that the construction "has been completed in accordance with the approved plan". The sixty percent sediment storage volume is noted as being reached at an elevation of 5,894.7 feet.

7. COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS

All construction activities have been completed at the new waste rock facility, with the exception of the construction of the disturbed area perimeter fence and the hydro seeding of the areas needing revegetation. It is the permittee's intent that the hydro seeding will also act as dust control for much of the waste rock site. All of the hydro-seeding work will be accomplished during the same time period.

The permittee was hauling coal mine waste to the newly permitted disposal cell this day. The material was being leveled and compacted by a road grader. There was not any noncoal waste observed in the material.

16B. ROADS: DRAINAGE CONTROLS

The permittee has recently performed maintenance work on the water tank access road, cleaning the various ditches that define the three alternate sediment control areas along this length of the Dugout drainage.

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18. SUPPORT FACILITIES/UTILITY INSTALLATIONS

Construction activities continue at the secondary substation location. To date, the concrete foundations have been completed as have the underground wiring circuits. At the present time, power poles are being set to support the conductors between the primary and secondary substations. Electrical Contractors, Inc. was on site this day routing the surface circuits to the locations where the transformers will be installed.

20. AIR QUALITY PERMIT

The access road to the waste rock site had recently been watered, as trucks were hauling refuse to the disposal cell this day.

Inspector's Signature: _____ Date: April 29, 2003
Peter Hess #46

Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas & Mining.

cc: James Fulton, OSM
Dave Spillman, Canyon Fuel
Price Field office
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